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10 December 1964

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CENTRAL INTELLIGENCE BULLETIN

CURRENT INTELLIGENCE
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DAILY BRIEF

Congo: Algeria is trying to get other African states to recognize the Congolese rebel government.

Algerian Foreign Minister Bouteflika, according to Ethiopian officials, has been pressing Haile Selassie to recognize the rebels. He claims that Algeria, Egypt, Ghana, and "others" are ready to make the move.

Algeria might recognize the rebels itself, but there is no good evidence at this time that other radical African states are prepared to follow such a lead. The radicals heartily detest Tshombé. They are sending arms, ammunition and possibly volunteers or advisers to the rebels, but they would probably hold off recognition until the rebels were able to reorganize and regain the military initiative.

Most African states, moreover, want to avoid widening the fissures within the OAU, and recognizing the rebels instead of Leopoldville would have this effect.

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Sudan: The breach between the northern Arab Sudanese population and the southern Negroid population is rapidly widening.

Racial rioting which broke out in Khartoum on 6-7 December has been partially quelled, but sporadic violence against southerners is continuing. Large numbers of the 30,000 southerners in the capital are being rounded up and offered free transportation to their home provinces. Many have accepted the offer.

When these "refugees" return to the south, there may well be new outbreaks of trouble there. The southerners, who comprise about a third of the country's population, have long demanded separation from the north. For more than a year, they carried on a terrorist campaign against the late military regime.

The new civilian government has promised a peaceful solution to the "southern problem." In a statement this week, the prime minister for the first time mentioned the possibility of separation. He added, however, that his "transitional" government has no mandate for such a step, and that only an elected government could negotiate a permanent settlement.

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Most northern leaders in fact are most unlikely to give separation any serious consideration.

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Indonesia: Sukarno has resumed his strong anti-Western line.

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Sukarno had been relatively subdued since returning from his global trip a month ago, but in a rabid speech on 8 December, he denounced the US-Belgian operation in the Congo. He also made his most violent verbal attack in months on the UK and Malaysia.

The government has closed the USIS library in Surabaya, which was severely damaged by a mob on 7 December, claiming that there is danger of more anti-American violence. A three-week series of anti-American meetings reportedly was to have begun yesterday under the aegis of a new Communist-front committee.

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SELECTED (OFFICIAL) SOVIET ECONOMIC DATA FOR 1964 AND 1965

Percentage Increases Over the Output of the Previous Year

Data for 1965 are Soviet scheduled increases over 1964 output. Data for 1964, for the most part, are increases scheduled for 1964 and estimated from Soviet 1965 goals that were promulgated in 1963.

	1964	1965
Industrial Production	7.8	8.1
Group A (Heavy Industry)	8.2	8.2
Group B (Light Industry)	6.5	7.7
Chemical Industry	16.6	About 15
Fertilizer	28	31
Plastics & Resins	28.5	28
Cellulose	15.8	20
Paper	14.0	12
Electric Power	9.7	12.5
Natural Gas	20	11
Crude Oil	7.7	(combined figure, gas & oil)
Metallurgy	(Steel, 4.7) X	6.0
Machine Building & Metal Working	10	9.0
Refrigerators	40.6	76
Housing	0	9
Freight Turnover	7.3	7.1

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*USSR: Incomplete reports regarding the 1965 Soviet budget and economic plan suggest some modifications in favor of the consumer but for the most part the general orientation of the economy, including allocations for the military, apparently will remain unchanged.

Projected increases in both cash and real income are accompanied by planned significant rises in consumer goods and services and in housing. In turn, this is reflected in the narrowing of the rates of increase between the production of consumer and capital goods. Housing construction is slated to have a record year and to reverse the decline in annual additions since 1960.

The reduction in specified defense expenditures of 500 million rubles makes the explicit military budget equal to 12.9 percent of all government expenditures. In 1964, when military spending was cut by 600 million rubles, the military allocation was 14.5 percent of the total budget. Actual military appropriations, however, do not necessarily follow even the trend of admitted outlays for defense, and are probably partly concealed in such categories as appropriations for science. In 1963 it was stated that allocations to science in 1965 would increase slightly over 1964--5.4 billion rubles compared to 5.2 billion rubles. There has been no final figure in the available summaries.

The over-all impression, however, is that the military has not won any improvement in its position, suggesting that its influence is unlikely to be greater

(continued)

under the new regime than it was under Khrushchev. The budget also provides another indication that the High Command was not one of the active forces behind Khrushchev's ouster.

According to Kosygin, in 1964 the rate of growth of investment apparently recovered somewhat from the 1961-63 lows. The 1965 plan calls for more recovery but not to a rate that would support annual additions to output like those achieved in the late 1950's or those implied by the long-term goals approved at the 22nd Party Congress in 1961.

The scheduled increase in industrial production will fall short of the 1964-65 goal announced in 1963. The chemical program retains the priority given it by Khrushchev but is not expected to meet his original goals. In other industrial sectors, projected rates of increase do not indicate a major change of emphasis. (See table)

The increase in appropriations for agriculture is less than had been indicated earlier, which may reflect the regime's expectation that the recent easing of restrictions on private agriculture will make up the difference. Agricultural development over the long run was singled out as "a task of paramount importance," and the regime expects investment and other measures in this field to overcome completely the lag in agricultural production by 1970.

Kosygin's brief remarks on the future administration of the economy may prove to be the most significant at this session of the Supreme Soviet. He

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proposed the eventual replacement of centralized control with a system based on consumer contracts in all branches of the economy. He also supported in strong terms some proposals made over the last several years by liberal Soviet economists. [REDACTED]

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[*Because of the shortage of time for preparation of this item, the analytic interpretation presented here has been produced by the Central Intelligence Agency without the participation of the Bureau of Intelligence and Research, Department of State, and the Defense Intelligence Agency, Department of Defense.]

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*France: [President De Gaulle has given recent evidence of his adverse reaction to the controlling position US firms have acquired in certain French automotive and electronic firms.]

[De Gaulle recently stressed to Erich Mende, chairman of the German Free Democratic Party, that he favored broader intra-European industrial cartel arrangements as a way to avoid increasing US "penetration" of Europe. De Gaulle followed with displeasure the recent purchase by General Electric of a half interest in Machines Bull, the leading manufacturer of computers in France.]

[There are formidable obstacles to making any real change in the French investment situation.]

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*Honduras: Political tensions are rising in Honduras.

Chief of State Lopez, [REDACTED]

[REDACTED] recently issued an amnesty decree that allows over 150 Communists to return to the country. The US Embassy in Tegucigalpa believes that the regime may use the influx of Communists as an excuse to cancel elections now scheduled for mid-February, on the pretext that the country is again in danger of a Communist take-over.

Minister of Defense Escalon was ousted from his post on 7 December because he seriously disagreed with Lopez about issuing the decree. While it is not clear, Escalon apparently retains his position as air force chief. He reportedly has a pact with two important army zone commanders to oust Lopez.

The two key army battalions in Tegucigalpa, however, are apparently still loyal to Lopez. [REDACTED]

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NOTE

Aden: [British Colonial Secretary Greenwood, casting about for means to strengthen the Aden area politically against Arab nationalist inroads, has accepted a compromise proposal for a new unitary state to replace the present South Arabian Federation. This is only the beginning, however, of what promises to be lengthy consideration of the problem by British officials and South Arabian political leaders. The next round of discussions is to be held in London in early March.]

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